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0106

19 JAN 1971

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Reduction in Withholding Rates
on 1971 Salaries

REFERENCE : [REDACTED], 16 December 1970, Subject:
Revised Federal Income Tax Withholding
Rates

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1. This memorandum provides you with additional information concerning reduced withholding rates for Federal taxes which became effective for the first salary payments made in 1971.
2. For most employees, as stated by reference, reductions in the amounts withheld were reasonably related to changes in 1971 tax computation factors. A notable exception has come to our attention, however. The reductions for personnel claiming exemptions as married individuals with income after exemptions at rates above \$20,000 per annum considerably exceed any possible reduction in actual tax liability.
3. We have learned, on the basis of informal liaison with a treasury official, that this increase in underwithholding resulted from adjustments of the basic withholding tables to avoid overwithholding on compensation below the \$20,000 level; the adjustments resulted in lowering the maximum rate of withholding from 30 percent to 25 percent without corresponding reduction in tax liability.
4. It is expected that the number of personnel directly affected in any substantial way by the foregoing will be relatively small. It may be desirable, however, to bring the information to their attention through support channels for individual determination as to the extent 1971 withholdings

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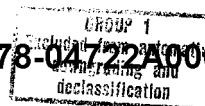
will be understated in relation to actual tax liability for 1971. Employees desiring to do so may file amended W-4's to reduce exemptions or authorize additional amounts to be withheld.



L. E. BUSH
Director of Finance

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This Notice Expires 1 April 1971

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PERSONNEL

16 December 1970

REVISED FEDERAL INCOME TAX
WITHHOLDING RATES

This notice announces small reductions in the Federal income tax withholding rates authorized by the Tax Reform Act of 1969. Reductions will be effective with the salary payments due 8 January 1971 for employees paid every two weeks and 22 January 1971 for employees paid every four weeks. Employees paid monthly will have the reductions effected in salary due in January 1971 for the month of December 1970. The reductions in the amounts withheld result primarily from changes in 1971 tax computation factors. Principally, these factors are (a) the increase in the standard deduction to 13 percent with a \$1,500.00 ceiling and (b) lower rates for heads of households and unmarried individuals.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

R. L. BANNERMAN
Deputy Director
for Support

DISTRIBUTION: ALL EMPLOYEES

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downgrading and
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